



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 4, 2000

H.R. 3850

Independent Telecommunications Consumer Enhancement Act of 2000

As ordered reported by the House Committee on Commerce on September 14, 2000

H.R. 3850 would exempt small telecommunications carriers from certain rules and reporting requirements administered by the Federal Communications Commission (FCC). The bill would relieve small carriers from the requirement to maintain separate affiliates to provide advanced telecommunications services. This provision could alter payments that such firms receive from the Universal Service Fund. The legislation also would require that the FCC grant or deny merger petitions from small telecommunications firms within 60 days, and all reconsideration and waiver petitions within 90 days.

CBO estimates that H.R. 3850 would have no significant impact on the federal budget. The bill could, however, have small effects on both direct spending and governmental receipts (revenues), so pay-as-you-go procedures would apply. H.R. 3850 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Based on information from the FCC, CBO estimates that the agency would spend about \$3 million a year to implement H.R. 3850. The commission would need more staff to investigate the costs incurred by small telecommunications carriers, which the bill would exempt from certain reporting requirements. The FCC also would have to hire additional personnel to review merger, reconsideration, and waiver petitions in order to meet the bill's deadlines for acting on such petitions. Under current law, enforcement and regulatory costs that the agency incurs are offset by fees charged to the industries that the FCC regulates. Therefore, CBO expects that the net effect on the FCC's appropriated spending would be negligible.

H.R. 3850 would affect governmental receipts and direct spending in two ways. First, it could allow small telecommunications carriers to receive larger payments from the Universal Service Fund to support the added costs of providing advanced telecommunications services. Using the Universal Service Fund established by the Telecommunications Act of 1996, the FCC seeks to provide universal access to telecommunications services, in part through

assessments on telephone companies to finance payments to companies that serve high-cost regions. Receipts to the Universal Service Fund are recorded as governmental receipts, and payments do not require annual appropriation action. Based on information from the FCC and the Universal Service Administrative Company, CBO estimates that any change in the Universal Service Fund's spending resulting from this legislation would not be significant and would be offset by either lower payments to other companies or higher revenues.

Second, H.R. 3850 would affect application fees the FCC collects to offset costs associated with tariff filings and other applications from the telecommunications industry. Those licensing fees are recorded as offsetting receipts. Based on information from the FCC, CBO expects that H.R. 3850 could affect the number of tariffs filed by small telecommunications carriers. However, CBO estimates that the resulting change, if any, in receipts from application fees would not be significant.

The CBO staff contact for this estimate is Ken Johnson. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.